

GIBSON, DUNN & CRUTCHER LLP  
JEFFREY D. DINTZER (SBN 139056)  
MATTHEW C. WICKERSHAM (SBN 241733)  
NATHANIEL P. JOHNSON (SBN 294353)  
333 South Grand Avenue, 47th Floor  
Los Angeles, CA 90071-3197  
Telephone: (213) 229-7000  
Facsimile: (213) 229-7520

*Attorneys for Respondents-in-Intervention,*  
AERA ENERGY LLC, BERRY PETROLEUM  
COMPANY LLC, CALIFORNIA RESOURCES  
CORPORATION, CHEVRON U.S.A. INC.,  
FREEPORT-MCMORAN OIL & GAS LLC, LINN  
ENERGY HOLDINGS LLC, and MACPHERSON OIL  
COMPANY

SUPERIOR COURT OF THE STATE OF CALIFORNIA  
FOR THE COUNTY OF ALAMEDA

CENTER FOR BIOLOGICAL  
DIVERSITY, and SIERRA CLUB, non-  
profit corporations,

Petitioners,

vs.

CALIFORNIA DEPARTMENT OF  
CONSERVATION, DIVISION OF OIL,  
GAS, AND GEOTHERMAL  
RESOURCES; and DOES 1 through 20,  
inclusive,

Respondents.

AERA ENERGY LLC, BERRY  
PETROLEUM COMPANY LLC,  
CALIFORNIA RESOURCES  
CORPORATION, CHEVRON U.S.A.  
INC., FREEPORT-MCMORAN OIL &  
GAS LLC, LINN ENERGY HOLDINGS  
LLC, and MACPHERSON OIL  
COMPANY,

Respondents-in-Intervention.

Case No. RG15769302

Assigned for all purposes to the Hon. Robert B.  
Freedman, Dept. 20

**DECLARATION OF DUANE DANIEL  
DUDICS IN SUPPORT OF OPPOSITION  
TO MOTION FOR PRELIMINARY  
INJUNCTION BY AERA ENERGY LLC,  
BERRY PETROLEUM COMPANY LLC,  
CALIFORNIA RESOURCES  
CORPORATION, CHEVRON U.S.A. INC.,  
FREEPORT-MCMORAN OIL & GAS LLC,  
LINN ENERGY HOLDINGS LLC, AND  
MACPHERSON OIL COMPANY**

*[Opposition to Motion for Preliminary  
Injunction and Declarations, filed concurrently;  
Proposed Order, lodged concurrently]*

Date: July 2, 2015  
Time: 9:00 a.m.  
Dept.: 17

Action Filed: May 7, 2015  
Trial Date: None set

1 I, Duane Daniel Dudics, declare:

2 1. I am Vice President of Health, Safety and Environment at California Resources  
3 Corporation ("CRC"). As such, I am familiar with the oil and gas operations of CRC, including  
4 underground injection well operations. I review the health, safety and environmental performance of  
5 our operations at oil fields in various locations in California. I make this declaration in support of  
6 Intervener's Opposition to Petitioners' Motion for Preliminary Injunction. I have personal knowledge  
7 of the facts set forth in this declaration, except where otherwise indicated, and if called to testify, I could  
8 and would competently testify to them.

9 2. CRC engages in substantial oil and gas production in California. CRC is one of the  
10 leading producers of oil and gas in California. As of December 31, 2014, CRC operated 137 fields in  
11 California and held mineral interests in approximately 2.4 million net acres in California.

12 3. CRC employs about 2000 people in California and, depending on activity levels, CRC  
13 also works with between 2000 and 5000 contractors in California to support its oil and gas operations.

14 4. As part of its substantial oil and gas operations, CRC operates Class II underground  
15 injection wells for disposal and enhanced oil recovery well operations. Class II underground injection  
16 wells have been an integral part of CRC's oil and gas operations for over 30 years.

17 5. CRC has a property interest in continued oil and gas production supported by  
18 underground injection activities. CRC's underground injection activities are necessary for certain oil  
19 and gas operations at many of the fields it operates. Without these underground injection wells, CRC  
20 would have to cease certain oil and gas operations in California.

21 6. In California, Class II injection wells are regulated by the Department of Conservation,  
22 Division of Oil, Gas, and Geothermal Resources ("DOGGR") pursuant to a Memorandum of  
23 Agreement ("primacy agreement") between DOGGR and the U.S. Environmental Protection Agency  
24 ("EPA"). Under the primacy agreement, DOGGR is tasked with ensuring that potential underground  
25 sources of drinking water are protected in compliance with the federal Safe Drinking Water Act  
26 ("SDWA").

27 7. CRC operates its Class II injection wells in accordance with permit conditions  
28 established by DOGGR. CRC has never been subject to an enforcement order from DOGGR for

1 contamination of drinking water supplies caused by underground injection activities.

2 8. Since 1983, when DOGGR acquired primacy over the UIC program, it is my  
3 understanding and belief that DOGGR has been approving certain Class II underground injection  
4 projects with the understanding that the boundaries for aquifers exempt by U.S. EPA are flexible.  
5 Additionally, conflicting versions of the operative primacy agreement between DOGGR and U.S. EPA  
6 led to confusion over whether 11 aquifers in California had been formally exempted by U.S. EPA.  
7 While an initial version of the primacy agreement did not list the 11 exempted aquifers, a subsequent  
8 version of the primacy agreement exempted the 11 aquifers. This subsequent primacy agreement has  
9 been the basis for DOGGR's regulation of Class II injection wells since 1983, and U.S. EPA even wrote  
10 a letter to industry associations in 1985 clarifying which aquifers were exempt by attaching the list of  
11 exempted aquifers from the subsequent primacy agreement. Regardless, to the best of my knowledge  
12 and belief, DOGGR only approved projects that met the agency's strict criteria for demonstrating the  
13 injection would not "endanger" potential sources of drinking water pursuant to the SDWA.

14 9. On April 2, 2015, DOGGR promulgated its emergency Aquifer Exemption Compliance  
15 Schedule Regulations. The regulations were the culmination of extensive discussions and an agreement  
16 between U.S. EPA, DOGGR, and the State Water Resources Control Board ("SWRCB") on an  
17 approved plan to allow U.S. EPA and the SWRCB an opportunity to review "non-endangerment"  
18 determinations made by DOGGR since acquiring primacy. DOGGR has acknowledged that in nearly  
19 all cases, the injection is occurring in hydrocarbon-bearing reservoirs where no potentially viable  
20 sources of drinking water exist. DOGGR has not identified a single instance where injection activities  
21 have caused contamination of drinking water.

22 10. Pursuant to negotiations with the U.S. EPA, DOGGR has undertaken a review process to  
23 determine UIC projects that have previously been permitted in (1) the 11 aquifers that have been  
24 historically treated as exempt by DOGGR according to the U.S. EPA, and (2) aquifers within boundary  
25 zones. DOGGR has labeled these aquifers as "non-exempt," even though the aquifers have been  
26 historically treated as exempt and their current status is disputed.

27 11. According to a letter from DOGGR to U.S. EPA on February 6, 2015, the review  
28 examines three categories of wells: Category 1, "Class II water disposal wells injecting into non-

1 exempt, non-hydrocarbon-bearing aquifers or aquifers historically treated as exempt”; Category 2,  
2 “Class II enhanced oil recovery (EOR) wells injecting into non-exempt, hydrocarbon-bearing aquifers”;  
3 and Category 3, “Class II water disposal and EOR wells that are inside surface boundaries of exempted  
4 waters, but that may nevertheless be injecting into a zone not exempted in the primacy agreement.” The  
5 review covers over 30,000 Class II injection wells. As of May 15, 2015, DOGGR has completed an  
6 initial review of Category 1 wells, while review of Category 2 will be completed in July 2015 and  
7 Category 3 will be completed in early 2016.

8 12. On February 6, 2015, shortly before promulgating its emergency Aquifer Exemption  
9 Compliance Schedule Regulations, DOGGR disclosed a list of 2,553 wells injecting into aquifers  
10 allegedly lacking exemptions. The list included review of Category 1 and Category 2 wells. DOGGR  
11 identified 532 water disposal wells and 2,021 enhanced oil recovery wells.

12 13. On May 15, 2015, DOGGR announced an update to its list of wells injecting into non-  
13 exempt aquifers. DOGGR identified approximately 3,600 cyclic steam wells—a type of enhanced oil  
14 recovery well—that are allegedly not associated with a permitted injection project.

15 14. CRC operates 191 of the Category 1 water disposal wells identified by DOGGR.

16 15. CRC operates 53 of the Category 2 enhanced oil recovery wells identified by DOGGR.

17 16. On May 7, 2015, the Center for Biological Diversity and the Sierra Club (collectively,  
18 “Petitioners”) filed their Complaint for Declaratory and Injunctive Relief and Verified Petition for Writ  
19 of Mandate (“Petition”) against DOGGR. Petitioners seek declaratory relief voiding the Aquifer  
20 Exemption Compliance Schedule Regulations promulgated and implemented by DOGGR, injunctive  
21 relief rescinding the Aquifer Exemption Compliance Schedule Regulations, and a writ of mandate  
22 compelling DOGGR to prohibit Class II well injections into aquifers lacking exemptions. (Petition at p.  
23 16, ¶¶ 1–7.)

24 17. On May 14, 2015, Petitioners filed their Motion for Preliminary Injunction. The Motion  
25 for Preliminary Injunction asks this Court to order DOGGR to immediately prohibit underground  
26 injection into aquifers lacking exemptions. (Motion at pp. 1:28–2–9; Proposed Order.)

27 18. If granted, the Motion for Preliminary Injunction would cause direct, immediate, and  
28 significant economic harm to CRC. The broad effect of the injunction proposed by Petitioners would be

1 magnified by the abrupt nature of its imposition. The injunction would require the shutdown of other  
2 wells, facilities, and operations associated with injection activities.

3 19. CRC has made substantial capital investments in the underground injection wells  
4 targeted for prohibition by the Motion for Preliminary Injunction. Capital investments in CRC's  
5 operations in 2014 totaled approximately \$2.1 billion.

6 20. If the Motion for Preliminary Injunction is granted, CRC would be forced to endure an  
7 unexpected draw down in oil production. Approximately 244 disposal and enhanced oil recovery wells  
8 as well as related production wells would be directly and indirectly implicated. The direct and indirect  
9 consequences of the preliminary injunction would result in an immediate loss.

10 21. If the Motion for Preliminary Injunction is granted, the economic harm suffered by CRC  
11 would be based on the price of oil during the period of time the injunction would be in effect.

12 I declare under penalty of perjury under the laws of the State of California that the foregoing is  
13 true and correct.

14 Executed on June 19, 2015 in Bakersfield, California.

15 By:   
16 Duane Daniel Dudics

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